

CITY OF MINBURN
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2020

Table of Contents

	<u>Page</u>
Officials	3
Independent Auditor's Report	5-6
Basic Financial Statements:	
	<u>Exhibit</u>
Government-wide Financial Statement:	
Cash Basis Statement of Activities and Net Position	A 8
Governmental Fund Financial Statement:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B 9
Proprietary Fund Financial Statement:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C 10
Notes to Financial Statements	11-20
Other Information:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Funds	22
Notes to Other Information - Budgetary Reporting	23
Schedule of City's Proportionate Share of the Net Pension Liability	24
Schedule of City Contributions	25
Notes to Other Information - Pension Liability	26
Supplementary Information:	
	<u>Schedule</u>
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds	1 28
Schedule of Indebtedness	2 29
Bond and Note Maturities	3 30
Schedule of Receipts by Source and Disbursements by Function - All Governmental Funds	4 31
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	32-33
Schedule of Findings	34-40

City of Minburn

Officials

(Before January 2020)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Travis Connick	Mayor	January 1, 2022
Ronald Allen	Mayor Pro Tem	January 1, 2022
Phyllis Moss	Council Member	January 1, 2022
Charlotte White	Council Member	January 1, 2022
Joe Stuetelberg	Council Member	January 1, 2020
Meaghan Bennett	Council Member	January 1, 2020
Kris Fitch	City Clerk	Indefinite
Beverly Wild	Attorney	Indefinite

(After January 2020)

Travis Connick	Mayor	January 1, 2022
Ronald Allen	Mayor Pro Tem	January 1, 2022
Phyllis Moss	Council Member	January 1, 2022
Charlotte White	Council Member	January 1, 2022
Joe Stuetelberg	Council Member	January 1, 2024
Meaghan Bennett	Council Member	January 1, 2024
Kris Fitch*	City Clerk	Resigned
Wendy Merical **	City Clerk	Indefinite
Beverly Wild	Attorney	Indefinite
Brick Gentry P.C.	Attorney	Indefinite

* - Resigned March 2020.

** - Appointed in March 2020.

City of Minburn



FALLER, KINCHELOE & CO, PLC

Certified Public Accountants

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Minburn, Iowa, (City) as of and for the year ended June 30, 2020, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City as of June 30, 2020, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

Basis of Accounting

As discussed in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the four years ended June 30, 2019 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. Another auditor previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the year ended June 30, 2015 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. Another auditor previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the year ended June 30, 2014 (which are not presented herein) and expressed modified opinions on those financial statements, which were prepared on the basis of cash receipts and disbursements, since the other auditor was unable to satisfy themselves as to the distribution by fund of the total fund balance at July 1, 2013. The supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 22 through 26 has not been subjected to the auditing procedures applied in the audit of the basic statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 4, 2020 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control over financial reporting and compliance.


FALLER, KINCHELOE & CO., PLC

December 4, 2020

Basic Financial Statements

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2020

	Program Receipts				Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions / Programs:							
Governmental activities:							
Public safety	\$ 28,384	-	41,563	-	13,179	-	13,179
Public works	104,893	38,157	46,917	-	(19,819)	-	(19,819)
Health and social services	4,500	-	-	-	(4,500)	-	(4,500)
Culture and recreation	99,698	6,279	12,662	-	(80,757)	-	(80,757)
Community and economic development	735	-	-	-	(735)	-	(735)
General government	73,660	1,283	5,799	-	(66,578)	-	(66,578)
Debt service	19,114	-	-	-	(19,114)	-	(19,114)
Total governmental activities	330,984	45,719	106,941	-	(178,324)	-	(178,324)
Business type activities:							
Water	88,235	94,483	6,786	-	-	13,034	13,034
Sewer and storm water	119,792	106,647	3,496	-	-	(9,649)	(9,649)
Total business type activities	208,027	201,130	10,282	-	-	3,385	3,385
Total	\$ 539,011	246,849	117,223	-	(178,324)	3,385	(174,939)
General Receipts and Transfers:							
Property and other city tax levied for:							
General purposes					131,104	-	131,104
Debt service					24,308	-	24,308
Tax increment financing					1,217	-	1,217
Local option sales tax					97,467	-	97,467
Commercial/industrial tax replacement					2,572	-	2,572
Unrestricted interest on investments					438	678	1,116
Total general receipts and transfers					257,106	678	257,784
Change in cash basis net position					78,782	4,063	82,845
Cash basis net position beginning of year					11,234	275,241	286,475
Cash basis net position end of year					\$ 90,016	279,304	369,320
Cash Basis Net Position							
Restricted:							
Nonexpendable:							
Cemetery perpetual care					\$ 34,843	-	34,843
Expendable:							
Streets					100,493	-	100,493
Employee benefits					24,890	-	24,890
Library					6,243	-	6,243
Fire					31,798	-	31,798
Urban renewal purposes					187	-	187
Debt service					39,789	46,155	85,944
Other purposes					64,636	-	64,636
Reserve					-	10,250	10,250
Meter deposits					-	21,867	21,867
Unrestricted					(212,863)	201,032	(11,831)
Total cash basis net position					\$ 90,016	279,304	369,320

See notes to financial statements.

City of Minburn

Exhibit B

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds

As of and for the year ended June 30, 2020

	Special Revenue					Permanent		Total
	General	Road Use Tax	Employee Benefits	Local Option Sales Tax	Minburn Area Firefighters Association	Debt Service	Cemetery Perpetual Care	
Receipts:								
Property tax	\$ 108,585	-	22,519	-	-	24,308	-	155,412
Tax increment financing	-	-	-	-	-	-	1,217	1,217
Other city tax	-	-	-	97,468	-	-	-	97,468
Licenses and permits	1,432	-	-	-	-	-	-	1,432
Use of money and property	394	-	-	-	22	-	16	436
Intergovernmental	26,828	46,917	355	-	-	391	118	74,609
Charges for service	40,832	-	-	-	-	-	-	40,832
Miscellaneous	14,723	-	1,472	-	18,572	-	-	38,360
Total receipts	192,794	46,917	24,346	97,468	18,594	24,699	16	409,766
Disbursements:								
Operating:								
Public safety	12,317	-	346	-	13,063	-	-	28,384
Public works	44,452	54,315	6,126	-	-	-	-	104,893
Health and social services	4,500	-	-	-	-	-	-	4,500
Culture and recreation	87,142	-	11,297	-	-	-	-	99,698
Community and economic development	735	-	-	-	-	-	-	735
General government	68,173	-	5,487	-	-	-	-	73,660
Debt service	-	-	-	-	-	19,114	-	19,114
Total disbursements	217,319	54,315	23,256	-	13,063	19,114	-	330,984
Excess (deficiency) of receipts over (under) disbursements	(24,525)	(7,398)	1,090	97,468	5,531	5,585	16	78,782
Other financing sources (uses):								
Transfers in	52,326	-	-	-	-	18,224	-	72,256
Transfers out	-	-	-	(71,041)	-	-	-	(72,256)
Total other financing sources (uses)	52,326	-	-	(71,041)	-	18,224	-	491
Change in cash balances	27,801	(7,398)	1,090	26,427	5,531	23,809	16	78,782
Cash balances beginning of year	(150,065)	107,891	23,800	38,209	22,021	15,980	34,827	11,234
Cash balances end of year	\$ (122,264)	100,493	24,890	64,636	27,552	39,789	34,843	90,016
Cash Basis Fund Balances								
Nonspendable:								
Cemetery perpetual care	\$ -	-	-	-	-	-	34,843	34,843
Restricted for:								
Streets	-	100,493	-	-	-	-	-	100,493
Employee benefits	-	-	24,890	-	-	-	-	24,890
Library	-	-	-	-	-	-	6,243	6,243
Fire	-	-	-	-	27,552	-	4,246	31,798
Urban renewal purposes	-	-	-	-	-	-	187	187
Debt service	-	-	-	-	-	39,789	-	39,789
Other purposes	-	-	-	64,636	-	-	-	64,636
Unassigned	(122,264)	-	-	-	-	-	(90,599)	(212,863)
Total cash basis fund balances	\$ (122,264)	100,493	24,890	64,636	27,552	39,789	34,843	90,016

See notes to financial statements.

City of Minburn

Exhibit C

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2020

	Enterprise		
	Sewer and		
	Water	Storm Water	Total
Operating receipts:			
Charges for service	\$ 94,483	106,647	201,130
Miscellaneous	6,786	3,496	10,282
Total operating receipts	101,269	110,143	211,412
Operating disbursements:			
Business type activities	88,235	53,709	141,944
Total operating disbursements	88,235	53,709	141,944
Excess of operating receipts over operating disbursements	13,034	56,434	69,468
Non-operating receipts (disbursements):			
Interest on investments	-	678	678
Debt service	-	(54,300)	(54,300)
Capital projects	-	(11,783)	(11,783)
Net non-operating receipts (disbursements)	-	(65,405)	(65,405)
Change in cash balances	13,034	(8,971)	4,063
Cash balances beginning of year	147,249	127,992	275,241
Cash balances end of year	\$ 160,283	119,021	279,304
Cash Basis Fund Balances			
Restricted for:			
Debt service	\$ -	46,155	46,155
Reserve	-	10,250	10,250
Meter deposits	21,867	-	21,867
Unrestricted	138,416	62,616	201,032
Total cash basis fund balances	\$ 160,283	119,021	279,304

See notes to financial statements.

City of Minburn

Notes to Financial Statements

June 30, 2020

(1) Summary of Significant Accounting Policies

The City of Minburn (City) is a political subdivision of the State of Iowa located in Dallas County. It was first incorporated in 1892 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development, and general governmental services. The City also provides water and sewer for its citizens.

A. Reporting Entity

For financial reporting purposes, the City has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City.

These financial statements present the City (the primary government) and its blended component units. The component units discussed below are included in the City's reporting entity because their operational or financial relationships with the City are significant.

Blended Component Units

The Friends of the Minburn Public Library was established under Chapter 504 of the Code of Iowa, is legally separate from the City, but has the potential to provide specific benefits to or impose specific financial burdens on the City. The purpose of the Friends of the Minburn Public Library is to support the activities of the Minburn, Iowa Public Library.

Pursuant to Chapter 501B of the Code of Iowa, the Minburn Area Fire Fighters Association (Fire Association) is an unincorporated nonprofit association. The Fire Association exists for charitable purposes in support of the City's Fire Department. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Fire Association meets the definition of a component unit which should be blended. Based on these criteria, the Fire Association is legally separate from the City but is so intertwined with the City it is, in substance, the same as the City. The Fire Association is reported as part of the City and blended into the major governmental funds.

Pursuant to Chapter 501B of the Code of Iowa, the Minburn Emergency Rescue Team (Rescue Team) is an unincorporated nonprofit association. The Rescue Team exists for charitable purposes in support of the City's Rescue Team. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Rescue Team meets the definition of a component unit which should be blended. Based on these criteria, the Rescue Team is legally separate from the City but is so intertwined with the City it is, in substance, the same as the City. The Rescue Team is reported as part of the City and blended into the nonmajor governmental funds.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Dallas County Assessor's Conference Board, Dallas County Emergency Management Commissions, North Dallas Solid Waste Regional Planning Commission and the Dallas County Joint E911 Service Boards.

B. Basis of Presentation

Government-wide Financial Statement - The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Employee Benefits Fund is used to account for the employee benefits tax levy used to fund pension and related employee benefits.

The Local Option Sales Tax Fund is used to account for local option sales tax collections to be used for debt reduction, capital improvements, and parks, recreation and/or community beautification.

The Minburn Area Firefighters Association Fund is used to account for donations and other resources to be used for the benefit of the City of Minburn fire department.

The Debt Service Fund is used to account for property tax and other revenues to be used for the payment of interest and principal on the City's general long-term debt.

The Permanent, Cemetery Perpetual Care Fund is used to account for the permanently maintained restricted cash balance and the interest earned that can only be used for maintaining the City Cemetery.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer and Storm Water Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there is both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Property Taxes and Governmental Cash Basis Fund Balances

The following accounting policies are followed in preparing the financial statements:

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2018 assessed property valuations; is for the tax accrual period July 1, 2019 through June 30, 2020 and reflects tax asking contained in the budget certified to the City Council in March 2019.

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2020, disbursements exceeded the amounts budgeted in the general government function.

(2) **Cash and Pooled Investments**

The City's deposits in banks at June 30, 2020 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in the obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirements of Government Accounting Standards Board Statement No. 72.

(3) **Notes Payable**

A summary of changes in notes payable for the year ended June 30, 2020 is as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General Obligation Notes	\$ 195,000	-	11,000	184,000	12,000
Governmental activities total	\$ 195,000	-	11,000	184,000	12,000
Business type activities:					
Sewer Revenue Notes	\$ 1,200,656	-	21,552	1,179,104	22,153
Business-type activities total	\$ 1,200,656	-	21,552	1,179,104	22,153

General Obligation Notes

A summary of the City's general obligation notes payable is as follows:

Year Ending June 30,	Taxable General Obligation Urban Renewal Community Building Notes	
2021	\$	12,000
2022		12,000
2023		14,000
2024		14,000
2025		15,000
2026-2030		94,000
2031		23,000
	\$	184,000

On April 21, 2015, the City issued \$225,000 of taxable general obligation urban renewal community building notes for the purpose of paying the cost of carrying out an urban renewal project consisting of funding the relocation and restoration of the Minburn Depot to its 1914 appearance. The notes bear interest at 4.15% per annum through the December 1, 2020 payment. On December 1, 2020 and December 1, 2025, the interest shall be adjusted to a rate equal to 2.54% over the 5-year U.S. Treasury Constant Maturities rate as released by the Federal Reserve. However, at no time will the interest rate exceed 7.00% per annum. The note matures on June 1, 2031. During the year ended June 30, 2020, the City paid principal and interest of \$18,114 on the notes.

Sewer Revenue Notes

A summary of the City's June 30, 2020 revenue notes payable is as follows:

Year Ending June 30,	Sewer Issued August 23, 2013			Sewer Issued August 23, 2013			Total		
	Interest		Principal	Interest		Principal	Interest	Principal	Total
	Rates			Rates					
2021	3.75%	\$ 16,415	23,821	3.75%	\$ 5,738	8,326	22,153	32,147	54,300
2022	3.75%	16,871	23,365	3.75%	5,898	8,166	22,769	31,531	54,300
2023	3.75%	17,342	22,894	3.75%	6,062	8,002	23,404	30,896	54,300
2024	3.75%	17,824	22,411	3.75%	6,231	7,834	24,055	30,245	54,300
2025	3.75%	18,320	21,916	3.75%	6,404	7,660	24,724	29,576	54,300
2026-2030	3.75%	99,549	101,631	3.75%	34,798	35,522	134,347	137,153	271,500
2031-2035	3.75%	114,203	86,977	3.75%	39,922	30,398	154,125	117,375	271,500
2036-2040	3.75%	131,017	70,163	3.75%	45,799	24,521	176,816	94,684	271,500
2041-2045	3.75%	150,306	50,874	3.75%	52,540	17,780	202,846	68,654	271,500
2046-2050	3.75%	172,434	28,746	3.75%	60,276	10,044	232,710	38,790	271,500
2051-2054	3.75%	119,438	8,653	3.75%	41,717	2,819	161,155	11,472	172,627
		<u>\$ 873,719</u>	<u>461,451</u>		<u>\$ 305,385</u>	<u>161,072</u>	<u>1,179,104</u>	<u>622,523</u>	<u>1,801,627</u>

On August 23, 2013, the City entered into an agreement with the U.S. Department of Agriculture – Rural Development for the issuance of \$947,000 of sewer revenue notes with interest at 2.75% per annum. The notes were issued for the purpose of providing funds to pay a portion of the cost of constructing improvements and extensions to the sanitary sewer system. The notes are payable solely from sewer customer net receipts. Principal and interest is payable in equal monthly installments of \$3,353 with the final payment due on August 23, 2053.

On August 23, 2013, the City entered into an agreement with the U.S. Department of Agriculture – Rural Development for the issuance of \$331,000 of sewer revenue notes with interest at 2.75% per annum. The notes were issued for the purpose of providing funds to pay a portion of the cost of constructing improvements and extensions to the sanitary sewer system. The notes are payable solely from sewer customer net receipts. Principal and interest is payable in equal monthly installments of \$1,172 with the final payment due on August 23, 2053.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$1,278,000 of sewer revenue notes issued in August, 2013. Annual principal and interest payments on the notes are expected to require less than 97% of net receipts. The total principal and interest remaining to be paid on the notes is \$1,801,627. For the current year, principal and interest paid and total customer net receipts were \$54,300 and \$56,434, respectively.

The resolutions providing for the issuance of the sewer revenue notes include the following provisions:

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a sewer revenue note sinking account for the purpose of making the note principal and interest payments when due.
- (c) A reserve account of \$54,300 shall be established and maintained. Monthly transfers equal to \$453 shall be made until the required balance has been accumulated. This account is restricted for paying the principal and interest on the notes if the sinking account is insufficient.
- (d) Monthly transfers of \$125 are required to be made to a short lived asset account within the Enterprise, Sewer Fund. The account is restricted for deficiencies in the sinking or reserve accounts or capital improvements, extensions or repairs to the system.
- (e) All users of the system, including the City, shall be charged for service.

The City is not being charged for sewer usage.

(4) Operating Lease

The City entered into a lease on December 1, 2015 to lease copier equipment. The lease has been classified as an operating lease and, accordingly, all rents are charged to expense as incurred.

Future payments required under the operating lease which has an initial or remaining non-cancelable lease term in excess of one year as of June 30, 2020 is \$390, at which time the lease agreement expires.

During the fiscal year, payments made under these lease agreements were \$1,024.

(5) Pension Plan

Plan Description - IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.

Protection occupation members may retire at normal retirement age, which is generally age 55. The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2020, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll, for a total rate of 15.73%. Protection occupation members contributed 6.61% of covered payroll and the City contributed 9.91% of covered payroll, for a total rate of 16.52%.

The City's contributions to IPERS for the year ended June 30, 2020 were \$9,321.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2020, the City reported a liability of \$69,812 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019

and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2019, the City's proportion was 0.0012056%, which was an increase of 0.000023% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$13,044, \$11,170 and \$13,928, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Rate of Inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25%, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2019 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0 %	5.60 %
International equity	15.0	6.08
Global smart beta equity	3.0	5.82
Core plus fixed income	27.0	1.71
Public credit	3.5	3.32
Public real assets	7.0	2.81
Cash	1.0	(0.21)
Private equity	11.0	10.13
Private real assets	7.5	4.76
Private credit	3.0	3.01
Total	100.0 %	

Discount Rate - The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payment to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability	\$ 125,019	69,812	23,508

IPERS' Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

(6) **Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation and compensatory leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for compensated absences payable to employees at June 30, 2020 primarily relating to the General Fund, was \$7,229. The liability has been computed based on rates of pay in effect at June 30, 2020.

(7) **Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2020 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue: Local Option Sales Tax	\$ 52,326
Special Revenue: Bike Trail	Special Revenue: Local Option Sales Tax	1,706
Debt Service	Special Revenue: Urban Renewal Tax Increment Local Option Sales Tax	1,215 17,009 18,224
Total		\$ 72,256

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(8) Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Deficit Fund Balances

The General Fund and the Capital Projects, Depot Project Fund had deficit balances of \$122,264 and \$90,599, respectively, at June 30, 2020. The City is investigating alternatives to eliminate the deficits, which include future cost saving measures and/or anticipated receipts.

(10) Contingency

The City participates in a number of Federal and State grant/loan programs. These programs are subject to program compliance audits by the grantors or their representatives. Entitlement to these resources is generally conditional upon compliance with the terms and conditions of grant and loan agreements and applicable federal and state regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a federal or state audit may become a liability to the City. The City's management believes such revisions or disallowances, if any, will not be material to the City.

(11) Participation in Joint Venture

The City is a participant in Minburn Depot, LLP, a joint venture for the relocation and restoration of the Minburn Depot. The purpose is to own and maintain the depot to continue to be eligible for Historic State Tax Credits and Historic Tax Credits. The City made a \$100 cash contribution for a 0.99% General partner interest. Summary Financial information for the joint venture for the year ended June 30, 2020 is as follows:

	<u>Total</u>
Receipts	\$ 11,306
Disbursements	<u>11,334</u>
Change in cash balance	(28)
Cash balance beginning of year	<u>2,495</u>
Cash balance end of year	<u><u>\$ 2,467</u></u>

(12) Subsequent Events

The City has evaluated all subsequent events through December 4, 2020, the date the financial statements were available to be issued.

(13) Prospective Accounting Change

Governmental Accounting Standards Board has issued Statement No. 87, Leases. This statement will be implemented for the fiscal year ending June 30, 2021. The revised requirements of this statement will require reporting of certain potentially significant lease liabilities that are not currently reported.

Other Information

City of Minburn
Budgetary Comparison Schedule
of Receipts, Disbursements, and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Funds

Other Information

Year ended June 30, 2020

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted	Total	Budgetd Amounts		Final to Total Variance
					Original	Final	
Receipts:							
Property tax	\$ 155,412	-	-	155,412	152,449	152,449	2,963
Tax increment financing	1,217	-	-	1,217	1,215	1,217	-
Other city tax	97,468	-	-	97,468	32,520	101,520	(4,052)
Licenses and permits	1,432	-	-	1,432	1,890	1,890	(458)
Use of money and property	436	678	26	1,088	12,120	12,620	(11,532)
Intergovernmental	74,609	-	-	74,609	64,423	64,423	10,186
Charges for service	40,832	201,130	-	241,962	245,906	245,906	(3,944)
Miscellaneous	38,360	10,282	22,165	26,477	23,400	23,400	3,077
Total receipts	409,766	212,090	22,191	599,665	533,923	603,425	(3,760)
Disbursements:							
Public safety	28,384	-	15,721	12,663	19,800	19,800	7,137
Public works	104,893	-	-	104,893	106,870	111,870	6,977
Health and social services	4,500	-	-	4,500	5,000	8,600	4,100
Culture and recreation	99,698	-	1,259	98,439	102,764	102,764	4,325
Community and economic development	735	-	-	735	1,010	1,010	275
General government	73,660	-	-	73,660	67,225	72,225	(1,435)
Debt service	19,114	-	-	19,114	24,240	24,240	5,126
Business type activities	-	208,027	-	208,027	226,323	226,323	18,296
Total disbursements	330,984	208,027	16,980	522,031	553,232	566,832	44,801
Change in fund balances	78,782	4,063	5,211	77,634	(19,309)	36,593	41,041
Balances beginning of year	11,234	275,241	32,830	253,645	198,545	198,545	55,100
Balances end of year	\$ 90,016	279,304	38,041	331,279	179,236	235,138	96,141

See accompanying independent auditor's report.

City of Minburn

Notes to Other Information - Budgetary Reporting

June 30, 2020

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the Internal Service Fund. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$13,600. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2020, disbursements exceeded the amounts budgeted in the general government function.

City of Minburn

Schedule of the City's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
For the Last Six Years*

Other Information

	2020	2019	2018	2017	2016	2015
City's proportion of the net pension liability	0.001206%	0.001182%	0.001175%	0.001150%	0.001388%	0.001448%
City's proportionate share of the net pension liability	\$ 69,812	74,815	78,254	72,399	68,566	59,000
City's covered payroll	\$ 93,479	90,403	89,131	84,037	96,961	97,000
City's proportionate share of the net pension liability as a percentage of its covered payroll	74.68%	82.76%	87.80%	86.15%	70.91%	60.82%
IPERS' net position as a percentage of the total pension liability	85.45%	83.62%	82.21%	81.82%	85.19%	87.61%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceeding fiscal year.

See accompanying independent auditor's report.

City of Minburn

Schedule of City Contributions

Iowa Public Employees' Retirement System
For the Last Ten Years *

Other Information

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Statutorily required contribution	\$ 9,321	8,836	8,087	7,973	7,575	8,600	8,600	7,900	6,400	5,000
Contributions in relation to the statutorily required contribution	(9,321)	(8,836)	(8,087)	(7,973)	(7,575)	(8,600)	(8,600)	(7,900)	(6,400)	(5,000)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
City's covered payroll	\$ 98,653	\$ 93,479	90,403	89,131	84,037	96,300	96,300	91,100	79,300	71,900
Contributions as a percentage of covered payroll	9.45%	9.45%	8.95%	8.94%	9.01%	8.93%	8.93%	8.67%	8.07%	6.95%

See accompanying independent auditor's report.

City of Minburn

Notes to Other Information – Pension Liability

Year ended June 30, 2020

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

Supplementary Information

City of Minburn

Schedule 1

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds

As of and for the year ended June 30, 2020

	Special Revenue				Capital Projects	
		Minburn	Urban			
		Emergency	Renewal			
	Friends of	Rescue	Tax	Depot		
	the Library	Team	Increment	Project		
	Bike Trail					Total
Receipts:						
Tax increment financing	\$ -	-	-	1,217	-	1,217
Use of money and property	-	-	4	-	-	4
Intergovernmental	-	-	-	118	-	118
Miscellaneous	-	1,637	1,956	-	-	3,593
Total receipts	-	1,637	1,960	1,335	-	4,932
Disbursements:						
Operating:						
Public safety	-	-	2,658	-	-	2,658
Culture and recreation	-	1,259	-	-	-	1,259
Total disbursements	-	1,259	2,658	-	-	3,917
Excess of receipts over disbursements	-	378	(698)	1,335	-	1,015
Other financing sources (uses):						
Transfers in	1,706	-	-	-	-	1,706
Transfers out	-	-	-	(1,215)	-	(1,215)
Total other financing sources (uses)	1,706	-	-	(1,215)	-	491
Change in cash balances	1,706	378	(698)	120	-	1,506
Cash balances beginning of year	(1,706)	5,865	4,944	67	(90,599)	(81,429)
Cash balances end of year	\$ -	6,243	4,246	187	(90,599)	(79,923)
Cash Basis Fund Balances						
Restricted for:						
Library	\$ -	6,243	-	-	-	6,243
Fire	-	-	4,246	-	-	4,246
Urban renewal purposes	-	-	-	187	-	187
Unassigned	-	-	-	-	(90,599)	(90,599)
Total cash basis fund balances	\$ -	6,243	4,246	187	(90,599)	(79,923)

See accompanying independent auditor's report.

City of Minburn
Schedule of Indebtedness
Year ended June 30, 2020

Schedule 2

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
General Obligation Notes -									
Taxable general obligation urban renewal community building	April 21, 2015	4.15%	\$ 225,000	<u>195,000</u>	<u>-</u>	<u>11,000</u>	<u>184,000</u>	<u>8,114</u>	<u>-</u>
Revenue Notes -									
Sewer (USDA)	August 23, 2013	2.75%	\$ 947,000	889,689	-	15,970	873,719	24,266	-
Sewer (USDA)	August 23, 2013	2.75%	331,000	<u>310,967</u>	<u>-</u>	<u>5,582</u>	<u>305,385</u>	<u>8,482</u>	<u>-</u>
Total				<u>\$ 1,200,656</u>	<u>-</u>	<u>21,552</u>	<u>1,179,104</u>	<u>32,748</u>	<u>-</u>

See accompanying independent auditor's report.

City of Minburn

Schedule 3

Bond and Note Maturities

June 30, 2020

Revenue Notes					
Year Ending June 30,	Sewer Issued August 23, 2013		Sewer Issued August 23, 2013		Total
	Interest Rates	Amount	Interest Rates	Amount	
2021	2.75%	\$ 16,415	2.75%	\$ 5,738	22,153
2022	2.75%	16,871	2.75%	5,898	22,769
2023	2.75%	17,342	2.75%	6,062	23,404
2024	2.75%	17,824	2.75%	6,231	24,055
2025	2.75%	18,320	2.75%	6,404	24,724
2026	2.75%	18,831	2.75%	6,583	25,414
2027	2.75%	19,356	2.75%	6,766	26,122
2028	2.75%	19,895	2.75%	6,954	26,849
2029	2.75%	20,449	2.75%	7,148	27,597
2030	2.75%	21,018	2.75%	7,347	28,365
2031	2.75%	21,604	2.75%	7,552	29,156
2032	2.75%	22,205	2.75%	7,762	29,967
2033	2.75%	22,824	2.75%	7,978	30,802
2034	2.75%	23,458	2.75%	8,201	31,659
2035	2.75%	24,112	2.75%	8,429	32,541
2036	2.75%	24,784	2.75%	8,663	33,447
2037	2.75%	25,474	2.75%	8,905	34,379
2038	2.75%	26,184	2.75%	9,153	35,337
2039	2.75%	26,913	2.75%	9,408	36,321
2040	2.75%	27,662	2.75%	9,670	37,332
2041	2.75%	28,433	2.75%	9,939	38,372
2042	2.75%	29,225	2.75%	10,216	39,441
2043	2.75%	30,038	2.75%	10,500	40,538
2044	2.75%	30,875	2.75%	10,792	41,667
2045	2.75%	31,735	2.75%	11,093	42,828
2046	2.75%	32,619	2.75%	11,402	44,021
2047	2.75%	33,527	2.75%	11,720	45,247
2048	2.75%	34,461	2.75%	12,046	46,507
2049	2.75%	35,420	2.75%	12,382	47,802
2050	2.75%	36,407	2.75%	12,726	49,133
2051	2.75%	37,421	2.75%	13,081	50,502
2052	2.75%	38,463	2.75%	13,445	51,908
2053	2.75%	39,534	2.75%	13,820	53,354
2054	2.75%	4,020	2.75%	1,371	5,391
		<u>\$ 873,719</u>		<u>\$ 305,385</u>	<u>1,179,104</u>

See accompanying independent auditor's report.

City of Minburn

Schedule 4

Schedule of Receipts By Source and Disbursements By Function -
All Governmental Funds

For the Last Seven Years

	2020	2019	2018	2017	2016	2015	2014
Receipts:							
Property tax	\$ 155,412	149,192	151,223	150,373	111,948	102,442	127,122
Tax increment financing	1,217	1,223	1,206	-	-	-	-
Other city tax	97,468	69,210	-	-	-	-	-
Licenses and permits	1,432	2,149	3,015	1,269	2,064	1,529	427
Use of money and property	436	200	604	562	509	584	295
Intergovernmental	74,609	76,682	64,957	62,484	91,775	522,707	116,277
Charges for service	40,832	38,638	38,719	40,338	38,902	41,892	42,931
Miscellaneous	38,360	32,453	283,040	47,996	32,918	241,622	137,986
Total	\$ 409,766	369,747	542,764	303,022	278,116	910,776	425,038
Disbursements:							
Operating:							
Public safety	\$ 28,384	14,687	27,968	23,399	25,419	19,199	215,750
Public works	104,893	137,315	67,243	72,334	78,671	65,180	74,318
Health and social services	4,500	4,050	4,950	2,263	4,241	100	1,950
Culture and recreation	99,698	97,218	171,474	91,271	106,493	64,824	68,468
Community and economic development	735	730	1,004	1,004	2,047	1,194	1,530
General government	73,660	61,844	62,615	81,590	82,439	125,199	83,003
Debt service	19,114	18,517	162,889	24,799	40,492	684,555	25,763
Capital projects	-	-	32,167	3,360	64,009	922,692	137,941
Total	\$ 330,984	334,361	530,310	300,020	403,811	1,882,943	608,723

See accompanying independent auditor's report.



FALLER, KINCHELOE & CO, PLC

Certified Public Accountants

Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Minburn, Iowa (City) as of and for the year ended June 30, 2020, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 4, 2020. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in the accompanying Schedule of Findings as items I-A-20, I-B-20 and I-E-20 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items I-C-20, I-D-20 and I-F-20 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2020 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City's Responses to the Findings

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



FALLER, KINCHELOE & CO., PLC

December 4, 2020

City of Minburn

Schedule of Findings

Year ended June 30, 2020

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-A-20 Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City's financial statements.

Condition – Generally, one or two individuals have control over each of the following areas for the City:

- 1) Cash – reconciling bank accounts, initiating cash receipts and handling and recording cash.
- 2) Investments – detailed record keeping, custody and reconciling.
- 3) Long-term debt – recording and reconciling.
- 4) Receipts – collecting, depositing, posting and reconciling.
- 5) Accounting system – performing all general accounting functions and having custody of City assets.
- 6) Disbursements – preparing checks, signing checks and access to the accounting records.
- 7) Petty cash – custody, reconciling and recording.
- 8) Payroll – recordkeeping, preparation and distribution.

For the Friends of the Library, the Minburn Area Firefighters Association and the Minburn Emergency Rescue Team accounts, one person has control over each of the following areas:

- 1) Receipts – collecting, depositing, posting and reconciling.
- 2) Disbursements – posting, reconciling and check writing.
- 3) Cash and investments – handling and recording cash and investing.

Cause – The City, Friends of the Library, Minburn Area Firefighters Association and the Minburn Emergency Rescue Team has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the City's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – The City should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff.

Response – The City and the related entities will review its control procedures to obtain the maximum internal control possible with the limited staff it has.

Conclusion – Response acknowledged.

City of Minburn

Schedule of Findings

Year ended June 30, 2020

I-B-20 Reconciliation of Utility Billings, Collections and Delinquent Accounts

Criteria – An effective internal control system provides for internal controls related to reconciling utility billings, collections and delinquent accounts to ensure proper recording of utility receipts, the propriety of adjustments and write-offs and the propriety of delinquent accounts.

Condition – Although the City's utility software generates monthly reports of utility billings, collections and delinquent accounts, the amounts are not reconciled from month to month.

Cause – Policies have not been established and procedures have not been implemented to ensure monthly utility billings, collections and delinquent accounts are reconciled each month to the City's financial and utility billing records.

Effect – Inadequate reconciliations can result in unrecorded or misstated utility receipts and improper or unauthorized adjustments and write-offs.

Recommendation – The City should ensure all amounts on the reconciliations of utility billings, collections and delinquent accounts are properly supported. The City Council or other independent person designated by the City Council should review the reconciliations, document the review by signing or initialing and dating the reconciliation and monitor delinquent accounts.

Response – The City will ensure utility reconciliations are properly supported and reviewed. The reviewer will initial and date to document the review.

Conclusion – Response acknowledged.

I-C-20 Credit Cards

Criteria – Internal controls over safeguarding assets constitute a process, effected by an entity's governing body, management and other personnel designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from error or misappropriation. Such processes include establishing policies addressing proper asset use and proper supporting documentation.

Condition – The City has a credit card for use by employees while on City business. The City has not adopted a formal policy to regulate the use of credit cards and to establish procedures for the proper accounting of credit card charges.

Cause – Adoption of a formal policy to regulate the use of credit cards has not been prioritized by the City Council.

Effect – Lack of written policies and procedures to regulate the use of credit cards could result in unauthorized and unsupported transactions and the opportunity for misappropriation.

Recommendation – The City should adopt a formal written policy regulating the use of City credit cards. The policy, at a minimum, should address who controls credit cards, who is authorized to use credit cards and for what purpose, as well as the types of supporting documentation required to substantiate charges.

Response – We are working on procedures.

Conclusion – Response acknowledged.

City of Minburn

Schedule of Findings

Year ended June 30, 2020

I-D-20 Computer System

Criteria – Properly designed policies and procedures pertaining to control activities over the City's computer systems and implementation of the policies and procedures help provide reasonable assurance financial information is safeguarded and reliable, regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.

Condition – The City does not have written policies for:

- Password privacy and confidentiality.
- Requiring password changes because software does not require the user to change log-ins/passwords periodically.
- Requiring preparation and storage of backup tapes/disks.
- Addressing alternative power source(s).
- Usage of the internet.
- Procedures to ensure financial information is approved, accurate and complete.

Also, the City does not have a written disaster recovery plan and a computer log is not maintained to determine who recorded a transaction based on an employee's login name.

Cause – Management has not required written policies for the above computer based controls.

Effect – Lack of written policies for computer systems could result in a loss of data or compromised data, resulting in unreliable financial information. The failure to have a formal disaster recovery plan could result in the City's inability to function in the event of a disaster or continue City business without interruption.

Recommendation – The City should implement procedures and develop written policies addressing the above items in order to improve the City's control over its computer systems. A written disaster recovery plan should also be developed.

Response – Management has already instituted requiring logging off/on of computers as well as password protected screen savers. The current password protection policies are insufficient. Management will work on updating these policies.

Conclusion – Response acknowledged.

I-E-20 Preparation of Financial Statements

Criteria - A properly designed system of internal control over financial reporting includes the preparation of an entity's financial statements and accompanying notes to the financial statements by internal personnel of the entity.

Condition - As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

City of Minburn

Schedule of Findings

Year ended June 30, 2020

Cause - We recognize that with a limited number of office employees, preparation of the financial statements and accompanying notes to the financial statements is difficult.

Effect - The effect of this condition is that the year-end financial reporting is prepared by a party outside of the City. The outside party does not have the constant contact with ongoing financial transactions.

Recommendation - We recommend that City officials continue reviewing operating procedures in order to obtain the maximum internal control possible under the circumstances to enable staff to draft the financial statements and accompanying notes to the financial statements internally.

Response – These are very technical issues that the average citizen would not understand. This issue relates to auditor independence issues, and we accept the risk associated with not being able to prepare these documents and apply accounting principles in accordance with an other comprehensive basis of accounting.

Conclusion – Response acknowledged.

I-F-20 Meter Deposits

Criteria - An effective internal control system provides for internal controls related to reconciling the dollar amount of meter deposits on hand with the dollar amount of cash recorded in the meter deposit account.

Condition – The dollar amount of meter deposits on hand, by customer, does not materially agree to the dollar amount of cash recorded in the meter deposit account.

Cause – Policies and procedures have not been implemented to ensure the dollar amount of meter deposits on hand agree to the amount of cash recorded in the meter deposit account.

Effect – This condition could result in unrecorded, misstated, improper or unauthorized adjustments to the meter deposit amounts.

Recommendation – The City should implement procedures to ensure the dollar amount of meter deposits on hand, by customer, agree to the dollar amount of cash recorded in the meter deposit account.

Response – The City will ensure this recommendation is implemented.

Conclusion – Response acknowledged.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Minburn
Schedule of Findings
Year ended June 30, 2020

Part II: Other Findings Related to Required Statutory Reporting:

II-A-20 Certified Budget – Disbursements during the year ended June 30, 2020 exceeded the amounts budgeted in the general government function. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended before disbursements are allowed to exceed the budget.

Conclusion – Response acknowledged.

II-B-20 Questionable Disbursements – We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

II-C-20 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-20 Business Transactions – No business transactions between the City and City officials or employees were noted.

II-E-20 Restricted Donor Activity – No transactions were noted between the City, City officials, City employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.

II-F-20 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

II-G-20 City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.

II-H-20 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City’s investment policy were noted.

II-I-20 Revenue Notes – The City does not pay for sewer usage as required by the sewer revenue note resolutions.

Recommendation – The City should pay for sewer usage as required.

Response – We will implement this recommendation.

Conclusion - Response acknowledged.

II-J-20 Property/Liability Insurance – The City levies a tax to pay for property and liability insurance coverage. The proceeds of this tax are used to pay all the costs associated with property and liability insurance coverage. The costs incurred by the water and sewer operations for property and liability insurance coverage have been included in the tax levy for property and liability insurance coverage.

Recommendation – Costs incurred for property and liability insurance coverage for the water and sewer operations should be charged to those funds and not be included in the tax levy.

City of Minburn
Schedule of Findings
Year ended June 30, 2020

Response – We will implement this recommendation.

Conclusion – Response acknowledged.

- II-K-20 Financial Condition – The General Fund and the Capital Projects, Depot Project Fund had deficit balances at June 30, 2020 of \$122,264 and \$90,599, respectively.

Recommendation – The City should investigate alternatives to eliminate these deficit balances to return the funds to a sound financial position.

Response – The City will investigate alternatives to eliminate these deficit balances to return the funds to a sound financial position.

Conclusion – Response acknowledged.

- II-L-20 Minburn Depot LLP – The City entered into a partnership agreement with Midwest Oilseeds, Inc. and Minburn Community Betterment group to operate Minburn Depot, LLP. Chapter 28E.4 states a public agency may enter into an agreement with one or more public or private agencies for joint or cooperative action. The City does not reference Chapter 28E of the Code of Iowa in the agreement.

Recommendation – The City should establish a 28E agreement to allow the City to be the general partner of Minburn Depot, LLP.

Response – The City will establish a 28E agreement to allow the City to be the general partner of Minburn Depot, LLP.

Conclusion – Response acknowledged.

- II-M-20 Unclaimed Property – Chapter 556.11 of the Code of Iowa requires all cities to report and remit outstanding obligations, including checks, trusts and bonds held for more than two years, to the Office of Treasurer of State annually. The City did not remit all outstanding obligations held for more than two years to the Office of Treasurer of State annually.

Recommendation – Outstanding obligations should be reviewed annually and amounts over two years old should be remitted to the Office of Treasurer of State.

Response – We will implement this recommendation.

Conclusion – Response acknowledged.

- II-N-20 Utility Procedures – The City does not discontinue service to customers who are not paying their utility bill. As a result, customers owe the City several thousand dollars in delinquent utility payments. In addition, it appears the City has performed minimal procedures to collect delinquent utility accounts.

Recommendation – The City should implement procedures to ensure service to customers is discontinued for those customers who are not paying their utility bill. In addition, the City should implement procedures to collect delinquent utility accounts owed to them.

Response – We will review this and attempt to implement these recommendations.

Conclusion – Response acknowledged.

City of Minburn

Schedule of Findings

Year ended June 30, 2020

- II-O-20 Public Purpose – From fiscal years 2016 to 2020, the City paid principal and interest of \$88,695 to the bank on a bank loan which was obtained by Minburn Depot, LLP. The Minburn Depot, LLP is a partnership between Midwest Oilseeds, Inc., the Minburn Community Betterment Group and the City of Minburn.

In addition, the City is incurring monthly interest charges on a City credit card.

These transactions may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented.

Recommendation – The City should document the public purpose served in relation to the above transactions.

Response – We will include documentation and establish policies to address these types of scenarios if this practice is continued.

Conclusion – Response acknowledged.

- II-P-20 Tax Increment Financing (TIF) – Chapter 403.19 of the Code of Iowa provides a municipality may certify loans, advances, indebtedness and bonds (indebtedness) to the County Auditor which qualify for reimbursement from incremental property tax. The County Auditor provides for the division of property tax to repay the certified indebtedness and provides available incremental property tax in subsequent fiscal years without further certification by the City until the amount of certified indebtedness is paid. Indebtedness incurred is to be certified to the County Auditor and then the divided property tax is to be used to pay the principal of and interest on the certified indebtedness. Chapter 403.19 of the Code of Iowa requires the date the City Council initially approved the debt be included on the TIF certification.

We noted that the City did not certify general obligation note interest which will be incurred on TIF related debt.

Recommendation – The City should ensure the TIF debt certification complies with Chapter 403 of the Code of Iowa.

Response – We will implement this recommendation.

Conclusion – Response acknowledged.

- II-Q-20 Annual Urban Renewal Report (AURR) – The AURR report was properly approved and certified to the Iowa Department of Management on or before December 1. However, the City's debt balances, disbursements, beginning cash and ending cash balances reported on the Levy Authority Summary do not agree with the City's records.

Recommendation – The City should ensure the balances reported on the Levy Authority Summary agree with the City's records.

Response – We will implement this recommendation.

Conclusion – Response acknowledged.